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EMBRY HOLDINGS LIMITED
安莉芳控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1388)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2019	**2018**	**Change**
	(HK$'000)	*(HK$'000)*	
Revenue	1,199,358	1,354,425	-11.45%
Gross profit	934,752	1,082,288	-13.63%
Gross profit margin	77.94%	79.91%	-1.97% pts
Profit for the period attributable to owners of the Company	67,399	116,195	-41.99%
Net profit margin	5.62%	8.58%	-2.96% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	15.96	27.51	-41.99%
Proposed interim dividend per share	2.00	3.50	-42.86%

The board of directors (the "Board" or "Directors") of Embry Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee and the external auditor of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
REVENUE	2	1,199,358	1,354,425
Cost of sales		(264,606)	(272,137)
Gross profit		934,752	1,082,288
Other income and gains, net	3	35,523	47,810
Selling and distribution expenses		(738,912)	(818,469)
Administrative expenses		(120,404)	(142,015)
Other expenses		(3,290)	(3,746)
Finance costs	4	(12,710)	(5,288)
PROFIT BEFORE TAX	5	94,959	160,580
Income tax expense	6	(27,560)	(44,385)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		67,399	116,195
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
- Basic (HK cents)		15.96	27.51
- Diluted (HK cents)		15.96	27.51

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
PROFIT FOR THE PERIOD	67,399	116,195
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	107	(34,113)
Other comprehensive income/(expense) will not be reclassified to the income statement in subsequent periods:		
Revaluation surplus	-	5,445
Deferred tax debited to asset revaluation reserve	-	(1,361)
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	-	4,084
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	107	(30,029)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	67,506	86,166

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2019

	Notes	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,244,362	1,219,470
Investment properties		389,639	387,639
Right-of-use assets		183,581	-
Prepaid land lease payments		-	37,326
Other asset		407,273	407,273
Deferred tax assets		99,392	88,286
Deposits and other receivables		36,984	39,066
Total non-current assets		2,361,231	2,179,060
CURRENT ASSETS			
Inventories		807,464	776,367
Trade receivables	10	94,878	75,240
Prepayments, deposits and other receivables		82,833	95,991
Tax recoverable		2,131	5,179
Cash and cash equivalents		214,305	158,414
Total current assets		1,201,611	1,111,191
CURRENT LIABILITIES			
Trade payables	11	96,897	125,042
Interest-bearing bank borrowings		346,109	214,059
Tax payable		14,474	19,224
Other payables and accruals		250,595	228,257
Lease liabilities		77,306	-
Total current liabilities		785,381	586,582
NET CURRENT ASSETS		416,230	524,609
TOTAL ASSETS LESS CURRENT LIABILITIES		2,777,461	2,703,669
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		183,833	213,000
Lease liabilities		67,263	-
Deferred liabilities		97	2,245
Deferred tax liabilities		156,612	156,705
Total non-current liabilities		407,805	371,950
NET ASSETS		2,369,656	2,331,719
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		2,365,432	2,327,495
TOTAL EQUITY		2,369,656	2,331,719

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

HKFRS 16	*Leases*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated financial statements. The nature and impact of HKFRS 16 is described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee - Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for offices, and retail and counter shops. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee - Leases previously classified as operating leases (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) HK$'000 (Unaudited)
Assets	
Increase in right-of-use assets	196,894
Decrease in prepaid land lease payments	(37,326)
Decrease in prepayments, deposits and other receivables	(6,908)
Increase in total assets	152,660
Liabilities	
Increase in lease liabilities	152,750
Decrease in other payables and accruals	(90)
Increase in total liabilities	152,660

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue from contracts with customers		
Sales of goods	1,199,358	1,354,425

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Geographical markets		
Mainland China	1,162,732	1,313,711
Hong Kong	33,606	37,744
Others	3,020	2,970
Total revenue from contracts with customers	1,199,358	1,354,425

3. OTHER INCOME AND GAINS, NET

	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Other income		
Subsidy income*	21,031	30,779
Gross rental income	9,210	9,353
Contingent rents receivable in respective of operating leases	305	351
Interest accretion on non-current receivables	1,217	945
Bank interest income	613	1,349
Royalty income	-	126
Others	2,572	1,052
	34,948	43,955
Gains, net		
Foreign exchange differences, net	(1,425)	(3,145)
Changes in fair value of investment properties	2,000	7,000
	575	3,855
	35,523	47,810

* There are no unfulfilled conditions or contingencies relating to this income.

4. FINANCE COSTS

	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Interest on interest-bearing bank borrowings	9,041	5,288
Interest on lease liabilities	3,669	-
	12,710	5,288

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Cost of inventories sold	264,606	272,137
Depreciation – Property, plant and equipment	40,089	38,684
Depreciation – Right-of-use assets	40,313	-
Amortisation of prepaid land lease payments	-	507
Impairment/(write-back of impairment) of trade receivables	(2,119)	11,331
Minimum lease payments under operating leases in respect of:		
Land and buildings	21,288	49,004
Contingent rents of retail outlets in department stores	249,796	304,171
Advertising and counter decoration expenses	73,394	86,153
Charitable donation*	3,086	3,724
Interest accretion on non-current receivables	(1,217)	(945)

* The charitable donation is included in "Other expenses" on the face of condensed consolidated income statement.

6. INCOME TAX

	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Current - Mainland China	38,538	36,477
Deferred	(10,978)	7,908
Total tax charge for the period	27,560	44,385

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to owners of the Company of HK$67,399,000 (2018: HK$116,195,000) and 422,416,638 (2018: 422,416,638) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2019 and 2018.

8. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividends paid during the period		
Final in respect of the financial year ended 31 December 2018 - HK7.0 cents per ordinary share (2018: Final in respect of the financial year ended 31 December 2017 - HK8.0 cents per ordinary share)	29,569	33,793
Proposed interim dividend		
Interim - HK2.0 cents per ordinary share (2018: HK3.5 cents per ordinary share)	8,448	14,785

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019	31 December 2018
	HK$'000	HK$'000
	(unaudited)	(audited)
At beginning of period/year, net of accumulated depreciation	1,219,470	1,162,378
Additions	66,159	228,473
Disposals/write-off	(896)	(1,254)
Depreciation provided during the period/year	(40,089)	(75,807)
Transfer to investment properties (note)	-	(23,559)
Exchange realignment	(282)	(70,761)
At end of period/year, net of accumulated depreciation	1,244,362	1,219,470

Note: During the year ended 31 December 2018, the Group rented out one of its occupied properties to an independent third party for rental income. At the date of change in use, this property became investment property. Upon the transfer from property, plant and equipment to investment properties, this property was revalued at HK$28,810,000 with a revaluation surplus of HK$5,251,000 credited to the asset revaluation reserve.

10. TRADE RECEIVABLES

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Within 90 days	90,289	71,389
91 to 180 days	4,589	3,851
181 to 360 days	1,797	8,359
Over 360 days	6,526	2,083
	103,201	85,682
Less: Impairment allowance	(8,323)	(10,442)
	94,878	75,240

11. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Within 90 days	86,179	105,274
91 to 180 days	3,830	15,115
181 to 360 days	3,366	2,462
Over 360 days	3,522	2,191
	96,897	125,042

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

12. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	179,711	201,516

BUSINESS AND OPERATIONS REVIEW

In the first half of 2019, the world economy saw slowing growth momentum, being dragged down by heightened geopolitical risks and lingering trade disputes. Facing with uncertain external environment, China was committed to maintaining a reasonable level of economic growth. China's gross domestic product for the first half of 2019 increased by 6.3% year-on-year, to RMB45,093.3 billion, with growth rate dropped by 0.5 percentage point over the same period last year.

Against the backdrop of the global economic uncertainty and the US-China trade war, the consumption market sentiment turned cautious. Consumers became more sensitive to discounts and pursued high value-for-money products. Meanwhile, online consumption has turned into a living attitude. The Group gradually accelerated the pace of expanding the online shopping market and set up independent online stores for each of the Group's brands to conduct targeted online promotion of the target customer base, thereby strengthening the Group's omni-channel coverage.

For the six months ended 30 June 2019 (the "Current Period"), the Group's revenue decreased by 11.45% to HK$1,199,358,000 over that for the six months ended 30 June 2018 (the "Prior Period"). Gross profit margin decreased by 1.97 percentage points to 77.9%. Profit attributable to owners of the Company was HK$67,399,000, net profit margin was 5.62%. Earnings per share was HK15.96 cents (2018: 27.51 cents). The Board of Directors of the Company has resolved to declare an interim dividend of HK2.00 cents per share (2018: HK3.50 cents) for the Current Period.

Brand management

The Group currently operates seven brands, namely ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***E-BRA***, ***IVU, IADORE*** and ***LIZA CHENG***, serving customers with different needs and varying degrees of purchasing power. In the first half of 2019, the Group continued to implement its multi-brand strategy, gave full play to the characteristics of each of its seven brands and flexibly distributed the point of sales for each brand according to the consumption level of different cities in different tiers, and took care the characteristics of sales channels to cover the needs of multiple market segments. The Group's flagship brand ***EMBRY FORM*** and younger market brand ***FANDECIE*** mainly respond to the overall mid-to-high-end market demand, while the five brands namely ***COMFIT***, ***E-BRA***, ***IVU, IADORE*** and ***LIZA CHENG*** are designed to precisely meet the diversified needs of the market. In recent years, the Group has opened multi-brand composite stores in several cities in China to address the needs of varying consumer groups and attract more potential consumers.

The Group actively reinforced its brand building and increased product exposure to enhance its brand influence. As a partner of the underwear exhibition for many years, ***EMBRY FORM*** continued to be the brand for the opening show in 2019 China (Shenzhen) International Brand Underwear Fair to demonstrate the Group's 2020 product concept and increase the market attention to fashion products in the coming year. At the same time, the Group set up an art pavilion under the theme "The Charm of Time". Using laces as the keynote of the visual image, it showed the 24 solar terms and became the new landmark in the underwear fair that attracted countless fashionistas to take pictures and check in. ***EMBRY FORM*** has been emanating glamour of the brand with more than forty years of history.

With the rapid growth of the online shopping market, the Group has paid more attention to the targeted promotion strategies of various brands and integrated online and offline public relations activities and promotion. Among them, the Group invited groups of Internet celebrities to shoot street photography for ***EMBRY FORM***, ***FANDECIE*** and ***LIZA CHENG*** and upload the photos to their Instagram, WeChat public accounts, Xiaohongshu ("RED") and other social accounts, in order to enhance the brand awareness and favorability of the followers of these Internet celebrities through their styling and attire.

BUSINESS AND OPERATIONS REVIEW (continued)

Sales network

Over the past six months, the Group continued to optimise omni-channel coverage to meet the needs of different consumption habits, while coping with changes in the market and consumer sentiment, and operated corresponding brands in appropriate regional markets. The Group appropriately adjusted its retail outlets by closing or relocating stores with lower efficiency so as to enhance the overall operating efficiency of its sales network. As at 30 June 2019, the Group had 1,737 retail outlets in total, including 1,463 concessionary counters and 274 stores. During the Current Period, there was a net decrease of 100 retail outlets of the Group. In response to the changes in domestic consumption habits, the Group designed exclusive products to cater for the uniqueness of the online shopping market, gradually increasing the market share of brands in the online shopping market and expanding online and offline coverage.

Product design, research and development

Solid self-development capabilities have always been one of the Group's competitive edges in the market. Adhering to the pursuit of product quality, the Group continued to invest resources in product research and development, and strived to optimise and improve the appearance, functionality and production technology of the products, and to provide superior-quality products to the market.

During the Current Period, the Group launched a variety of well-received new collections, including: ***EMBRY FORM***'s "Early Spring Series" (「曉春系列」) and "Semi-summer Series" (「半夏系列」); ***FANDECIE***'s "Icy Skin Series" (「冰爽美膚系列」) and "Bestie Secrets Series" (「閨密私語系列」); ***COMFIT***'s "Healthy S-BODY Series" (「健康 S-BODY 系列」) and "Fresh Breathable Series" (「透氣新呼吸系列」); ***E-BRA***'s "Light and Shadow Series" (「光影襲人系列」) and "Passionate City Series" (「情動都市系列」); ***IVU***'s "Platinum Series" (「鉑金莫系列」) and "U Home Enjoyment Series" (「U 家優享系列」); ***IADORE***'s "Flawless Beauty Series" (「美肌無痕系列」) and "Beauty in Pairs Series" (「麗影成雙系列」); ***LIZA CHENG***'s "Glowing Flame Series" (「烈焰系列」) and "Fragrant Floret Series" (「馥蕾系列」).

In the first half of 2019, the Group obtained 7 new patents, including 3 utility model patents and 4 appearance design patents. As at 30 June 2019, the Group had 11 invention patents, 45 utility model patents and 12 appearance design patents.

Production capacity

Over the years, the Group implemented self-production and self-marketing strategy to effectively ensure quality. Leveraging on its economies of scale, the Group flexibly responded to market demand and changes in consumer preferences with flexible deployment of manpower and machine capacity.

The Group's first and second phases of intelligent warehouse at the production base in Jinan, Shandong province commenced operation in the first half of 2018 and the first half of 2019, respectively, in order to improve the efficiency of product delivery and logistics. In addition, the intelligent material warehouse of the Jinan production base is scheduled for trial run by the end of 2019, which is expected to improve production efficiency and supply chain efficiency of the Group.

In addition, the second phase of plant premises and ancillary facilities at the Group's production base in Changzhou, Jiangsu province has been completed, which can meet the future development needs of the Group.

BUSINESS AND OPERATIONS REVIEW (continued)

Human resources
With increasing level of education and living standards of the people in China, salary expectations of workers have also increased accordingly, leading to the continuous upward trend of labour costs. On the one hand, the Group trained its employees and improved their welfare, reviewed the internal management culture from time to time and enhanced the sense of belonging of employees; on the other hand, the Group improved production technology together with the utilisation of automated logistics system, improved the workflow of employees and raised production efficiency, so as to mitigate the overall cost increase pressure and improve operational efficiency. As at 30 June 2019, the number of employees of the Group decreased to approximately 7,776 (31 December 2018: approximately 8,052). Total staff costs (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme and excluding directors' and chief executive's remunerations) for the Current Period was HK$375,617,000 (30 June 2018: HK$381,946,000).

FINANCIAL REVIEW

Revenue
During the Current Period, revenue was HK$1,199,358,000, representing a decrease of 11.45% from the Prior Period, mainly attributable to the weak retail consumption sentiment resulting from the unstable outlook of the external economic environment.

During the Current Period, revenue from retail sales was HK$992,276,000, accounting for 82.73% of the Group's total revenue and representing an decrease of 14.23% from the Prior Period. Revenue from the Internet and wholesale business increased by 4.86% from HK$194,612,000 to HK$204,062,000, accounting for 17.02% of the total revenue.

The Mainland China market is the main source of income for the Group. During the Current Period, revenue from the Mainland China market was HK$1,162,732,000, accounting for 96.95% of the Group's total revenue.

Among the seven brands operated by the Group, ***EMBRY FORM*** and ***FANDECIE*** are the main sources of income for the Group and their contributions to the total revenue amounted to 45.83% and 24.18% respectively. ***EMBRY FORM***'s revenue amounted to HK$549,596,000, which decreased by 11.93% from the Prior Period. ***FANDECIE***'s revenue amounted to HK$290,050,000, which decreased by 13.30% from the Prior Period. The changes in the two brands were similar to that of the overall sales. The decline was mainly due to the continued sluggish retail sentiment and the cautious consumer sentiment resulting from uncertainties in the global macroeconomic environment. At the same time, depreciation of Renminbi led to a decrease in the book value of sales in Hong Kong dollars over the Prior Period. The other brands ***COMFIT***, ***E-BRA***, ***IVU***, **IADORE** and ***LIZA CHENG***'s revenue for the Current Period amounted to HK$356,692,000, accounting for 29.74% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Period, sales of lingerie decreased by 11.09% over the Prior Period to HK$1,063,653,000, representing 88.69% of the revenue of the Group. Sales of sleepwear increased by 0.31% to HK$86,006,000, accounting for 7.17% of the total revenue of the Group, while sales of swimwear decreased by 27.87% to HK$41,253,000, accounting for 3.44% of the total revenue of the Group.

Gross Profit
During the Current Period, the Group recorded a gross profit of approximately HK$934,752,000, representing a decrease of 13.63% from the Prior Period. Gross profit margin decreased by 1.97 percentage points over the Prior Period to 77.9%. It was mainly because the Group increased the discount rate to gain market share in response to the intense market competition.

FINANCIAL REVIEW (continued)

Other income and gains
Other income decreased by 25.70% to HK$35,523,000 for the Current Period, including subsidies received by the Group from the local municipal government and rental income of approximately HK$21,031,000 and HK$9,210,000. Besides, fair value of investment properties has increased by HK$2,000,000.

Operating expenses
During the Current Period, selling and distribution expenses decreased by 9.72% to HK$738,912,000 (2018: HK$818,469,000), accounting for 61.61% (2018: 60.43%) of the Group's revenue. The increase in the proportion of selling and distribution expenses to overall sales was mainly attributable to the increase in proportion of the rental of retail stores and depreciation due to decrease in total revenue.

Administrative expenses decreased by 15.22% over the Prior Period to HK$120,404,000, accounting for 10.04% of the Group's revenue (2018: 10.49%).

Net profit
Profit attributable to owners of the Company was HK$67,399,000 for the Current Period, representing a decrease of approximately 41.99% from the Prior Period. Net profit margin decreased from 8.58% for the Prior Period to 5.62%. The decrease in net profit was mainly due to the decrease in sales resulting from the weak retail sentiment, together with the fact that the Group moderately increased its discounts in response to market demand, thus reducing the gross profit margin. In addition, the proportion of operating costs to total revenue also increased.

Liquidity and financial resources
The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained sound and healthy during the Current Period. As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately HK$214,305,000 (31 December 2018: HK$158,414,000). As at 30 June 2019, the Group's interest-bearing bank borrowings amounted to HK$529,942,000 (31 December 2018: HK$427,059,000). As at 30 June 2019, equity attributable to owners of the Company was HK$2,369,656,000 (31 December 2018: HK$2,331,719,000). Accordingly, the gearing ratio of the Group was approximately 22.36% (31 December 2018: 18.32%).

Capital expenditure
During the Current Period, the capital expenditure of the Group amounted to HK$66,159,000 (2018: HK$92,852,000), which was mainly used for the construction of intelligent material warehouse at the production base in Jinan. As at 30 June 2019, the capital commitments of the Group amounted to HK$179,711,000 (31 December 2018: HK$201,516,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets
As at 30 June 2019, the Group did not pledge any assets.

Capital structure
As at 30 June 2019, the total issued share capital of the Company was HK$4,224,000 (31 December 2018: HK$4,224,000), comprising 422,416,638 (31 December 2018: 422,416,638) ordinary shares of HK$0.01 each.

FINANCIAL REVIEW (continued)

Significant investment held, material acquisitions and disposals of subsidiaries and associated companies

During the Current Period, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries or associated companies.

Foreign currency exposure

The Group carries out its transactions mainly in Hong Kong dollars and Renminbi. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

Contingent liabilities

As at 30 June 2019, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$679,000 (31 December 2018: HK$679,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

PROSPECT

Looking ahead to the second half of 2019, the trade negotiations are expected to continue and uncertainties over the global economic outlook will undermine investment and consumer confidence. Although China will continue to promote the optimisation of its industrial structure and strive to maintain a stable economic growth rate, the sluggish market sentiment will weaken the growth momentum of the non-essential retail industry. However, optimisation and adjustment of China's consumption structure and consumption upgrading are irreversible trends, which will support the steady and healthy growth of domestic consumption and retail industry in the long run.

With years of experience and brand strength accumulated in the lingerie industry in China, the Group will closely grasp market changes, adjust product design, production technology, marketing and sales channels to meet consumer needs, so as to accurately respond to market demands. According to the characteristics of sales channels, the Group will continue to develop relevant products and adjust the multi-brand product mix in stores, actively capture the growth potential of the online shopping market and strengthen the omni-channel coverage of the Group in a timely manner.

To cope with the rising production costs in China, the Group has actively optimised the supply chain in recent years, sorted out and centralised the finished products from different warehouses in the intelligent warehouse in Jinan, Shandong province, to further enhance the effectiveness of economies of scale. The Group has also utilised the automated logistics system of the intelligent warehouse to help the Group improve production efficiency. The Group's intelligent material warehouse will commence its trial run by the end of 2019. The supply chain efficiency will be further improved after the material warehouse officially has commenced operation, enabling the Group to flexibly adjust its production capacity and respond quickly to market feedbacks.

In an uncertain market environment, the Group will continue to adhere to the quality, conform to the preferences of the consumer market and give full play to the characteristics of multi-brand, while also develop and manufacture products that cater to target market segments. Meanwhile, the Group will continue to optimise its omni-channel sales strategies and maintain the Group's position in the underwear industry in China, thereby generating sustainable returns to its shareholders.

OTHER INFORMATION

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, the unaudited condensed consolidated financial statements of the Group for the Current Period and discussed risk management, internal controls and financial reporting matters.

The external auditor of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

INTERIM DIVIDEND

On 22 August 2019, the Board resolved to declare the payment of an interim dividend of HK2.00 cents per ordinary share in respect of the Current Period to shareholders registered on the register of members on Wednesday, 11 September 2019, resulting in an appropriation of approximately HK$8,448,000. The above-mentioned interim dividend will be payable on 3 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 11 September 2019, on which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 10 September 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Current Period.

DISCLOSURE PURSUANT TO CODE PROVISION A.5.5 (2) OF THE CORPORATE GOVERNANCE CODE

Reference is made to the circular of the Company dated 18 April 2019 (the "Circular") in relation to the general mandates and the re-election of directors. Pursuant to code provision A.5.5 (2) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, where the board proposes a resolution to elect an individual as an independent non-executive director at a general meeting and the proposed director will be holding his seventh (or more) listed company directorship, the Company should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why the board believes the individual would still be able to devote sufficient time to the board. In this regard, the Board wishes to provide further information to elaborate and supplement the disclosure made in the Circular.

As disclosed in the Circular, the Nomination Committee and the Board of the Company have reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and the contribution of the retiring Directors with reference to the nomination principles and criteria set out in the Company's Board Diversity Policy and Director Nomination Policy and the Company's corporate strategy and the independence of all independent non-executive Directors. Having considered all such factors, including but without limitation to the time commitment of the retiring Directors, the Board recommended to the shareholders of the Company on the re-election of independent non-executive Directors, including Mr. Lee Kwan Hung ("Mr. Lee"), at the annual general meeting of the Company held on 23 May 2019 (the "AGM").

OTHER INFORMATION (continued)

DISCLOSURE PURSUANT TO CODE PROVISION A.5.5 (2) OF THE CORPORATE GOVERNANCE CODE (continued)

Mr. Lee, who has been serving the Company for more than 9 years, is holding directorship in ten listed companies including the directorship as an independent non-executive Director of the Company as disclosed in the biographical information set out in Appendix II to the Circular. As disclosed in the Corporate Governance Report of the Company, Mr. Lee attended all the meetings of the Board and Board committees, and general meetings of the Company held in the previous and current financial years. Mr. Lee has always remained responsible in performance of his functions and discharge of his duties to the Company through active participation and discussion, bringing balance of views as well as knowledge, experience and expertise. Mr. Lee has confirmed that he would continue to devote sufficient time and attention to the affairs of the Company. Based on the foregoing, the Board considered that Mr. Lee would be able to devote sufficient time to the Board; and that Mr. Lee's directorship outside the Company would not affect him in maintaining his current role in, and his functions and responsibilities for, the Company. The Company considered that Mr. Lee would continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity. On this basis, the Board has recommended shareholders to vote for the relevant ordinary resolution for the re-election of Mr. Lee as an independent non-executive Director, which was duly passed at the AGM.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Current Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and employees' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Securities Dealing Code"). Having made specific enquiries of all Directors and members of the senior management, they have confirmed that they had complied with the required standard as set out in the Securities Dealing Code during the Current Period.

PUBLICATION OF 2019 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and the Company at http://www.embrygroup.com respectively. The 2019 interim report of the Group containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
Embry Holdings Limited
Cheng Man Tai
Chairman

Hong Kong, 22 August 2019

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Cheng Man Tai (Chairman), Ms. Cheng Pik Ho Liza (Chief Executive Officer), Madam Ngok Ming Chu, Mr. Cheng Chuen Chuen and Ms. Lu Qun; and three independent non-executive Directors, namely Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S.